Modern concrete

JANUARY 1980

1979 review

1980 outlook

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1980

JANUARY 1980
Vol. 43 No. 9

Modern concrete

ISSN 0026-7619

PUBLISHED BY PIT AND QUARRY PUBLICATIONS, INC., an employee-owned organization.

• Published on the first of each month to serve owners, managers, supervisory, production, and sales personnel of companies engaged in the manufacture and distribution of concrete block, concrete pipe, ready mixed concrete, and precast and/or prestressed concrete products of all types.

Also publishers of

PIT AND QUARRY

PIT AND QUARRY HANDBOOK

CONCRETE INDUSTRIES YEARBOOK

Executive and Editorial Offices: 105 W. Adams St., Chicago, Illinois 60603. Phone (312) 726-7151

MODERN CONCRETE is published monthly. Copyright 1979 by Pit & Quarry Publications, Inc.

Editorial & advertising correspondence: Please direct all editorial and advertising inquiries to MODERN CONCRETE magazine, 105 W. Adams Street, Chicago, Ill. 60603.

Subscription prices: U.S., U.S. Poss. and Canada, 1 Year $14; 2 Years, $21. All other countries, 1 Year, $45; 2 Years, $85. Single copies: $2.00 each to U.S., U.S. Poss. and Canada. All other countries, $4.00 each. Controlled circulation, postage paid at Pontiac, Illinois 61764; and Chicago, Illinois 60607. In changing address, please give old as well as new address.

Member of:
American Business Press, Inc.
Business Publications Audit of Circulation, Inc.
Associated Equipment Distributors.

INTERNATIONAL STANDARD SERIAL NUMBER: ISSN 0026-7619 (registered in National Serials Data Program, Library of Congress, Washington, D.C. 20540)

Postmaster: Please send form 3579 to Pit and Quarry Publications, Inc., 105 W. Adams St., Chicago, Illinois 60603.

Copies of back issues are available on microfilm from Xerox University Microfilms, 300 N. Zeeb Road, Ann Arbor, Michigan 48106.

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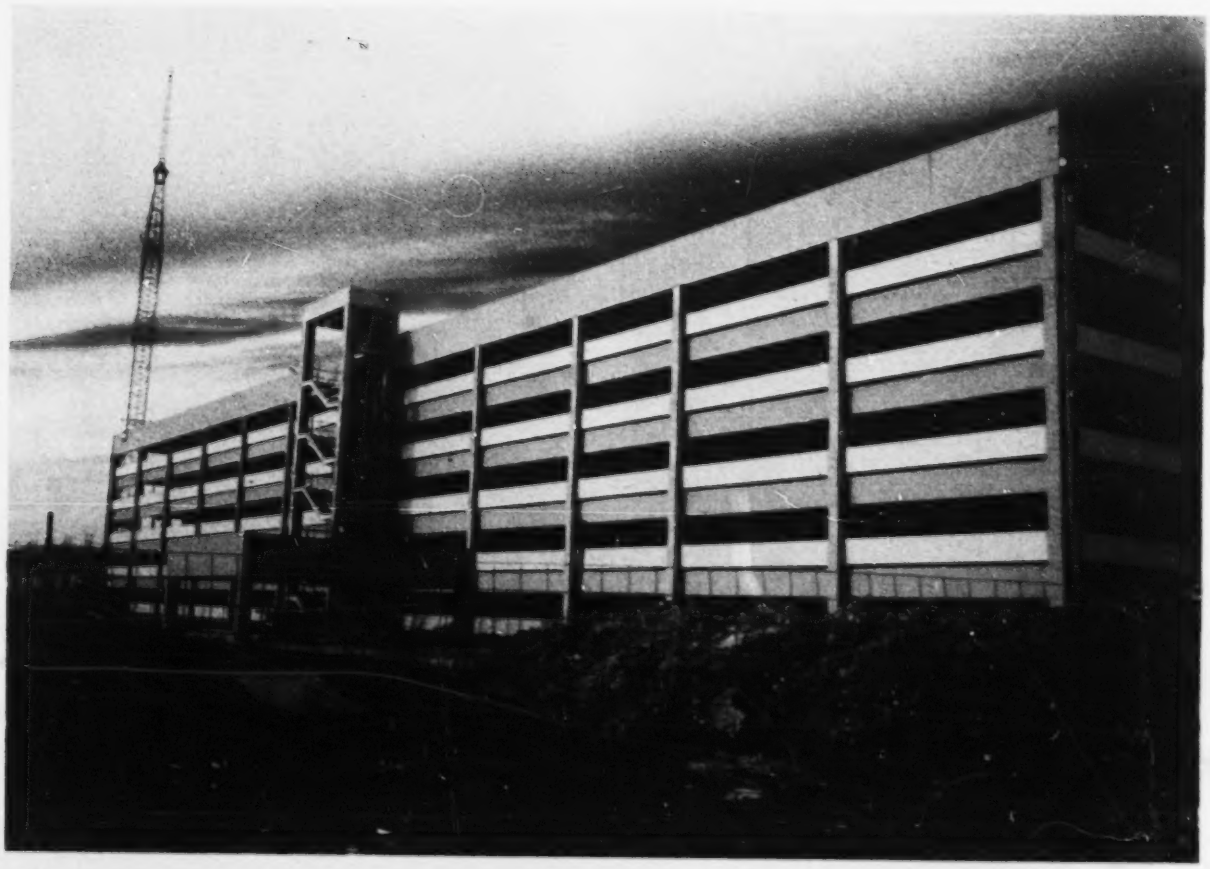
Modern concrete

1979-1980

OUT LOOK & REVIEW

The concrete industries



1979 review shows gains, dips

1980 outlook guarded, not gloomy

BY SANDY HEROD

Based on information received in replies to our latest annual survey of producers in the various concrete industries, complemented by observations submitted by leaders of state and national industry associations, we were close to the mark a year ago with respect to anticipated activity during 1979.

Overall, it was not a year of marked progress, nor was it a year of significant decline.

To the many respondents to our industry survey:
We wish to express our gratitude for your interest and participation. You responded in unprecedented numbers—despite the foul-up in mail handling that led to so many of you receiving our request on the very date, or nearly so, that we had specified as our deadline for reply! Your forbearance and understanding—and the many humorous references to the time factor—are sincerely appreciated.—*Sandy Herod*

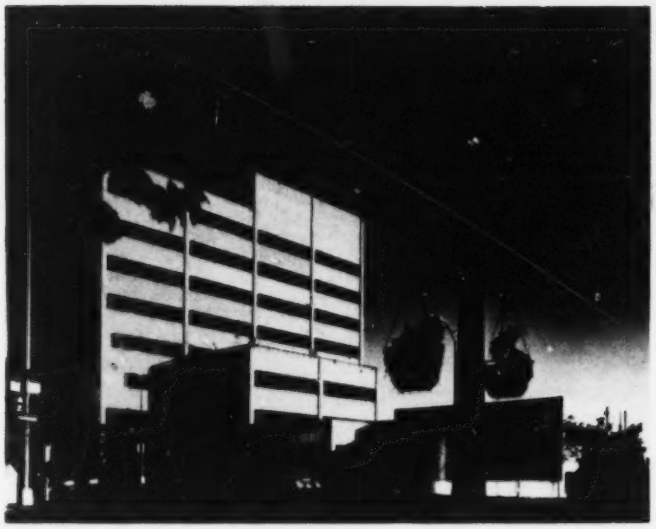
Among the five industry groups covered in our review some slight drops were recorded from experience in 1978—with emphasis on the slight—but new peaks also were recorded.

Significantly, little outright pessimism is expressed by our survey respondents. They ran in the face of gloomy predictions by economic analysts last year, and continue to do so. From the ready mix and concrete masonry industries we hear expectations of a slight drop in 1980 business. The precast people see "some bumps, but not bad." In the pipe industry, 1980 sales are expected to equal the 1979 level; and the prestressing group, after reaching a new peak last year, are optimistic for further growth this year.

The results of our own annual survey are tabulated, analyzed and reviewed in the staff reports on each of the five industries covered. Preceding those are commentaries solicited from all national industry associations plus a number of state and/or regional groups. ●

Construction

Inflation, high interest rates slowed progress in '79; expect parallel in '80



BY JIM KOSTKA

Although there was no glaring evidence that construction was on the decline late in 1979, there were some underlying signs that indicated that the four consecutive years of growth by this industry had come to an end. Construction's anticipated 1979 gain of 8% in dollar volume will not be enough to offset inflation which reached a rate of about 13%. This means that actual physical construction put-in-place slipped below the 1978 level.

In an effort to control inflation, the prime interest rate was raised a number of times during 1979 finally reaching a high of 15.5% in November. The purpose of this action, of course, was to make money more difficult to borrow. With money harder to obtain through loans, less was being spent, especially on projects requiring substantial amounts of capital such as construction. This action began to slow the pace of building activity early in the year and the slowdown continued for the remainder of 1979.

Along with the decline in construction in general came a drop in housing starts which had been up around the 2 million unit level in 1977 and 1978. By late in 1979, housing starts had declined to an annual rate of approximately 1.7 million units, indicating that the high interest rate money policy was producing the results for which it had been initiated.

In addition to the drop in the housing market, the $6 billion Local Public Works Act expired. This tended to further curtail publicly financed construction, leaving only commercial and industrial building to sustain the flow of new construction projects, but, with the economy moving toward a recession, support from the private nonresidential sector was rapidly waning.

Indications are that the Federal Reserve Board will continue to manipulate the prime interest rate until the rate reaches a point where it deters inflation and holds it in check. After that has been accomplished, the prime interest rate will be dropped gradually to stimulate the economy. It appears now that an annual inflation rate of 8% is the government's aim. This may be further supplemented by a reduction in the federal income tax in 1980.

Outlays for new construction in 1980, according to information provided by the U.S. Department of Commerce, Bureau of Census and Bureau of Domestic Business Development, are expected to amount to $223 billion—only $500 million above the 1979 total. Based on 1972 constant dollars, this represents a decline of 9% in actual physical volume of work put-in-place.

Private construction

Most of the 1979 rise in construction spending was from privately owned construction rather than from the public sector. Private construction reached a total of $176.3 billion in 1979 for a gain of $15.9 billion over the previous year. Expectations for private construction in 1980 call for an $800 million decline which would bring this type of construction down to the $175.5 billion level. Much of this drop will be the result of the 13% decline in housing starts expected in 1980.

Public construction

The public sector, which accounted for about 20% of all construction outlays in 1979, reached $46.25 billion—a modest gain of 1% over 1978. A slightly better performance is expected from this sector in 1980 when the value of its construction is supposed to climb to $47.5 billion—a gain of almost 3%. There was a spurt in public construction in 1978 when federal government emergency public work funds were released.

In 1979, this sector moved laterally with some of the categories, such as hospitals and water supply facilities, declining. Other categories—like housing and redevelopment, industrial, educational, highways and streets, military facilities, conservation and development—registered enough gain to keep the public construction sector in the black, but not by much.

The U.S. Department of Commerce projections on construction activity in 1980 are based on the assumption that the U.S. will have a recession of moderate depth and duration. It feels that real GNP (Gross National Product) will decline in the first half of

San Francisco's George R. Moscone Convention Center will require 120,000 cu. yds. of concrete. Another segment of public construction dropped to $4.45 billion in 1979, and is expected to decline further in 1980 and reach a total of $4.15 billion.

1980, then start to climb during the second half of the year. It also assumes that interest rates for long term funds will peak early in 1980 and will not decrease significantly during the rest of the year. Many public works projects on the state and federal levels are likely to be deferred in 1980 due to the high cost of borrowing money. Furthermore, a conservative policy of federal aid to projects normally dependent upon such aid should reduce the possibility of a resurgence of public construction activity. Emergency public works legislation enacted in 1976 is not expected to offset the anticipated decline in private residential and nonresidential activity.

Even though the cost of construction loans and long-term permanent financing loans was higher than at any time since World War II, funds for underwriting the huge construction market of 1979 were generally available. Savings institution deposits were down from 1978 levels, but these institutions attracted investors in six month savings certificates with rates of return tied to the weekly market rate of six month Treasury bills. This helped satisfy residential mortgage market demands. Widespread withdrawal of funds from savings banks into higher yielding investments did not occur until late in the year when disparities developed between short- and long-term interest rates. The increasing volume of foreign investment capital, however, helped finance commercial and industrial construction during 1979.

Mortgage money was available during most of 1979. This helped moderate the decline of the housing market. But, late in 1979, there was a deterioration in the mortgage market when rates escalated and available money began to dry up.

The downturn in the housing market is expected to continue through the first half of 1980 due to more restrictive lending policies involving high down payments and peak interest rates. It appears that the 12-13% mortgage rate, which was common late in 1979, will begin to turn downward until the latter part of 1980.

Residential construction

During the first half of 1979, residential construction was stronger than anticipated. Second quarter housing starts were well over 1.8 million units on a seasonally adjusted annual basis, placing the rate about 10% below the 2 million starts in 1978.

Starts for the entire year of 1979 totaled 1.75 million units, reflecting a market influenced by construction costs that rose 13.8%, rapidly rising sales prices, and an increasing inability of potential buyers to afford houses being offered. Financing, generally, was relatively easy to obtain but at mortgage rates that continued to climb throughout the year. An adequate supply of lending money was on hand because of the high interest rates offered by various savings institutions, making saving money more attractive than borrowing it.

Indications are that housing starts in 1980 will drop to around 1.4 million units. This decline from 1979 will not be due to a lack of demand but because of recessionary influences. Basically, the demand for new housing is strong because of a high rate of household formation and the trend toward using home ownership as a hedge against inflation. A growing number of two-income families, as well as the rapid increase in the purchase of older homes, has helped keep new homes affordable and offset much of the impact of extremely high interest rates and steeply rising prices for these homes.

A low vacancy rate, less than 5%, also will aid the 1980 housing market. Conversely, growing pressures for rent control in many communities, which serve as a threat to potential investors in rental housing, have kept multi-unit construction at a low rate. Almost 600,000 multi-units were started in 1977 and 1978. During 1979, multi-units fell to about 550,000.

The 1980 distribution of new housing starts, about 950,000 units in single-unit structures, represents a decline of 20% from 1979; 450,000 in multi-unit structures reflects the continuing advantage of home ownership.

It is anticipated that the housing recession will bottom out in the first quarter of 1980. This will be followed by a slow but steady

recovery. Mortgage rates will remain high in 1980, staying around 12% early in the year. If inflation eases, mortgage rates could drop to about 11% later.

Expenditures for new housing in 1977 amounted to $77 billion. Dollar outlays for this category in 1980 are expected to fall to $67.5 billion, a drop of 12%.

As has been the case in the past, 1979 housing expenditures on additions and alterations rose 13% to $18.5 billion. When the housing market becomes tight, people tend to make do with what they have by repairing and remodeling. A further increase of 8%, which would bring it up to $20 billion, is looked for in this sort of construction in 1980.

Nonhousekeeping

This sector is made up of private nonresidential buildings, largely hotel and motel construction. In 1979, this type of construction jumped 58% over the previous year to a total of $2 billion. Uncertainties about future gasoline supplies and the rising cost of travel should curtail construction expenditure growth of this type in 1980 so that it will remain virtually the same as it was in 1979.

Private nonresidential buildings

Enjoying a gain of 25% and reaching a total of $45.45 billion in 1979, this sector was definitely the strongest in the entire construction market. Except for miscellaneous buildings, all types of nonresidential buildings showed gains in 1979 over 1978. Increases ranging anywhere from 5% for hospitals to 36% for industrial buildings were recorded.

Industrial construction, which amounted to $15 billion, represented nearly one-third of all construction in the nonresidential building category. Also providing substantial gains for this group were the office and other commercial (shopping centers and stores) segments with respective gains of 35 and 20%. Construction of educational facilities moved upward 17% and religious building rose 16%. Hospital and institutional construction followed with a 5% increase.

All segments of nonresidential building construction are counted on to show gains in 1980, but at a lesser rate than in 1979. The category as a whole will be up 10%, with these increases for the various segments: industrial, 17%; office, 8%; other commercial, 4%; religious, 7%; educational, 12%; hospital and institutional, 10%; and miscellaneous, 7%.

Farm construction

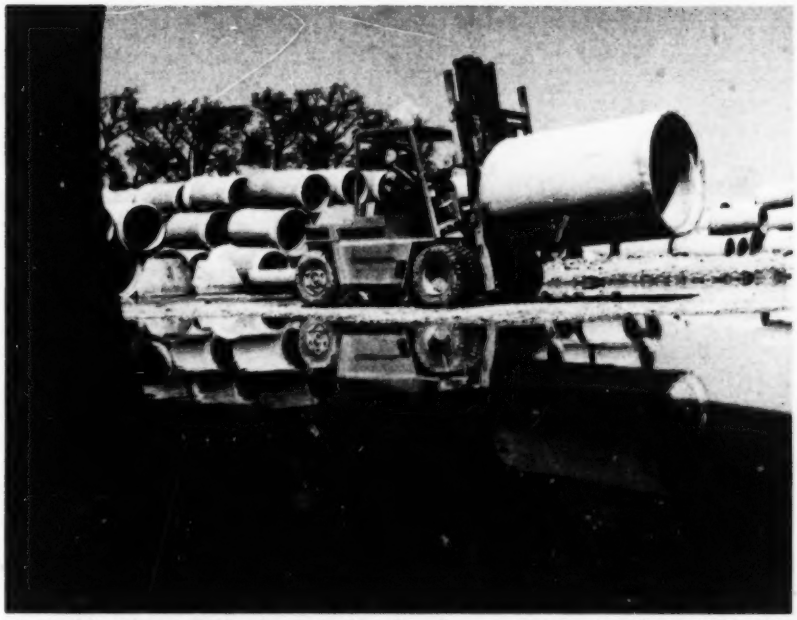
Over the past few years, there has been no significant change in the trend of spending for nonresidential farm construction. In 1979 this category accounted for $5.7 billion in construction, up 9% from the year before. A slightly higher increase of 10% is anticipated in 1980 which would bring this category's total to $6.25 billion.

Public utilities

Total new construction value put-in-place for the public utilities sector rose by 9% to $26.3 billion in 1979. Adjusting for inflation the overall physical volume was about equal to that of 1978. The 1980 picture for this sector looks about the same with an anticipated 8% increase in dollar outlays and a stable physical volume after accounting for inflation. This should bring the total up to $28.45 billion.

The telephone and electric light segments registered moderate growth rates of 9 and 6% in 1979. Gas, railroad and petroleum pipeline construction had substantially higher rates of increase with gains of 25, 16 and 22%, respectively. These three segments will continue to show increases in the 20-30% range in 1980 while the telephone and electric light segments will gain less than 10%.

A combination of a slowing economy and the downtrend in housing slowed telephone construction in 1979 and is expected to do the same in 1980. The electric light and power segment growth possibilities are being stifled because of an anti-nuclear power attitude by some of the people. Costs of plants of this type are rising rapidly too, making this source of energy less attractive.



There will not be much of a change in the value of new system construction in 1980, when it reaches $6.8 billion. In 1979 this type of construction amounted to $6.75 billion.

Public construction

All new construction of publicly owned facilities edged up only 1% in 1979 with a total value of $46.25 billion. A slightly better performance is forecast for 1980 when public construction should climb to $47.5 billion for a gain of 3%. The rather poor showing of this type of construction was due partly to the depletion of federal government emergency funds that were used for public construction in 1977 and 1978, and to a lesser degree in 1979.

Public buildings

Combined, the five public building construction segments declined about 2% in current dollars in 1979, although three of the segments showed some increases. Hospital construction dropped by 12%, and public office buildings showed a decline of 9%. The overall 3% rise forecast for the buildings sector in 1980 is based on the anticipated rebound of the hospital segment to a record level. This does not represent a continuing trend, but rather a temporary spillover from the weak private hospital market of recent years which, in turn, reflects a growing dependence on publicly owned facilities.

Educational buildings, which represent the largest public buildings segment, showed a 3% rise in 1979 and probably will have a similar increase in 1980. In real volume terms, this means about a 10% decline for two successive years.

Construction of other public buildings, which are mostly office buildings, was down 9% in 1979 and will be around 7% in the red in 1980. Limitations on employment at the federal, state and local government levels has been at least partly responsible for the reduction of this type of construction. Also contributing to the decline may be the drying up of budget surpluses which had been enjoyed by many local governments over the past few years.

Highways and streets

On a dollar basis, construction of highways and streets has moved laterally the past several years. In 1979, this category accounted for $11 billion in construction, representing a gain of 3% over 1978. Construction in 1980 is predicted to stay at the same dollar level. With the long-term interstate highway near completion and with toll and tax losses in 1979 because of the shortage of gasoline during part of the year, local highway expenditures will tend to favor the repair and upgrading of existing roads rather than new road construction. Work on bridges also is

expanding and helping to maintain overall outlays for the highway category.

Sewer systems

Construction of sewer systems didn't live up to expectations in 1979. This was disappointing in view of the backlog of projects that existed. The $6.75 billion in sewer construction in 1979 was practically the same as it was in 1978. A very minor rise of 1% appears to be in line for 1980, which will bring this segment up to $6.8 billion. Because of the developing recession, local governments converted whatever capital they had available to other types of construction.

Water supply facilities

This segment of construction made the poorest showing of any type of construction in 1979. Its value dropped 19%, pulling the total value down to $2.15 billion. A recovery of only 2% appears to be in store for 1980, bringing the year's total up to $2.2 billion. This is far below the $2.66 billion attained by this construction segment in 1978.

In addition to a lack of funds at the local government level, the drop in housing was a dominant factor in the poor showing of construction of water supply facilities. Existing facilities apparently were adequate to meet the current needs.

Miscellaneous

The miscellaneous segment of other public construction includes electric power and generation facilities, amusement and recreation facilities, and airport and mass transit facilities. This construction posted the best percent of gain of any public construction segments with an 11% increase. Its total for 1979 was $5 billion. The upward trend should continue in 1980 with an increase of 8% and a total of $5.4 billion. Its physical volume level, unlike most other construction segments, has been stable for three years and almost at the peak of 10 years ago. ●

Business in 1979, potential of 1980

as reviewed by national association staffs

PORTLAND CEMENT

Richard E. Reuss
President
Portland Cement Association

The Portland Cement Association is forecasting 1980 U.S. cement consumption at about 80 million tons, slightly less than 1979 usage. The forecast assumes the accuracy of the consensus forecast by business economists—that the four-year economic expansion would come to a halt in 1979 and be followed by a recession in the late months of the year.

Fortunately for the cement industry, construction has remained strong, due primarily to the availability of lendable funds even though record interest rates prevail. Most analysts believe enough strength exists in nonbuilding and industrial/commercial construction to offset partially an expected slump in housing.

To put 1979 in perspective, cement consumption through the first nine months nearly equaled the nine-month totals of 1978 and was 25% ahead of 1975.

The cement industry's fortunes are tied directly to construction. Construction, in turn, is probably the most volatile segment of our economy—volatile not only in total volume from year to year but also in variations from region to region.

Because of the regional nature of the cement industry, these variations are extremely important to individual cement producers.

In 1978, three PCA regions—the Eastern, Rocky Mountain-Northwest and Pacific Southwest—experienced gains of 2%, 1% and 10%, respectively. All

other regions showed decreases from a year ago. The South Central and Great Lakes-Midwestern regions were the weakest areas of cement consumption.

Construction is dominated by residential building and industrial/commercial building. Together, these two segments accounted for 85% of all construction contract awards during the first half of 1979. Nationally, home building softened in 1979, while industrial/commercial construction apparently had its best year in more than five years. However, both markets are up in the East and Pacific Southwest and down in other areas.

Inflation and recession

For 1979, many analysts forecast an economic slowdown. This did not occur and construction remained strong despite a four-point rise in short-term interest rates. However, the continued economic expansion was overdone and inflation rose to record proportions. An anti-inflation policy of credit tightening was merely delayed, not avoided, causing the U.S. economy to suffer from the worst possible situation—high inflation and recession.

This was the scenario that prompted the Federal Reserve's October move to tighten bank liquidity. Expectations are that the inflation rate, after levelling off at 13%, should start to recede in the fourth quarter of 1979 and stabilize at around 9% in the second half of 1980.

The early months of 1980 will be a time of declining economic activity, reduced consumer spending, and rising unemployment. However, the current economic crunch should not be nearly as severe as in 1974-75. Construction likely will not repeat its role as the weakest sector of the economy because cautious building policies over the past four years have prevented the accumulation of high inventories of unsold homes and industrial/commercial space.

Home building is one of the few sectors of the economy to benefit from high rates of inflation because housing still is widely, and correctly, perceived as a hedge against inflation. Therefore, although residential construction may slow over the next six to eight months, as home builders postpone their purchases, the long-term demand for housing will remain strong. Some housing industry forecasters predict that housing starts will average two million per year beginning in 1981.

Industrial/commercial building is benefitting from a shortage of floor space in several metropolitan areas; many existing facilities are being remodeled or expanded. The non-building construction market (highways, dams, sewers, water supply, and similar work) also has a positive near-term outlook because of favorable public funding prospects. Only the market for public buildings will continue to decline as it has for several years.

Outlook for 1980

Will there be enough cement production capacity?

The U.S. cement industry now has a total annual practical capacity of 98.5 million tons. New capacity additions amounting to slightly more than 13.5 million tons have been announced by cement producers for completion by 1985. If these capacity additions occur as anticipated, it appears the U.S. cement industry will have enough production capacity for the foreseeable future to avoid a repetition of the cement shortages experienced in 1973 and 1978 and to meet cement demand in the early 1980's.

This is especially true in view of the fact that 79% of those announced capacity increases will occur west of the Mississippi where 1978 shortages were most severe. The only factors that could change this assessment would be an unusual short-term growth in cement consumption or federal actions in the energy or environmental area that prevent the industry from maintaining adequate operating rates.

With respect to energy, it must be noted that cement manufacture is highly energy-intensive. In terms of energy consumption per ton of product, the cement industry ranks sixth among all U.S. industries. For that reason, this forecast would not be complete without some mention of the cement industry's progress in energy conservation.

Since 1972, energy consumption per ton of cement produced has dropped overall by 9.2%. This has been accomplished despite considerably higher electric power requirements for pollution control and coal-handling facilities. This is mentioned here because of the cement industry's rapid and continuing conversion to coal as its principal kiln fuel. In 1972, coal was used to produce only about 38% of the cement industry's output. By the end of 1978, coal use had nearly doubled—to 68% of the total. In the upcoming decade, about 90% of cement production capacity will be equipped to burn coal.

Two major issues

As the cement industry enters the 1980's, it faces two major issues—the impact of the energy shortage on the prospect for higher market growth rates and the need for new capital investment.

The Portland Cement Association believes that energy costs—while an economic burden on the manufacturing side—will prove to be a primary factor in increased use of concrete for all types of construction. Although cement manufacture is energy-intensive, concrete is far more energy efficient than nearly all other competitive construction materials, a fact that will be reflected in cement market growth in the years ahead.

The need for new capital investment is underscored by the average age of the industry's 170 odd plants—more than 20 years. About half of the production capacity still is wet process, which is less energy efficient than dry process. It is estimated that the cement industry—which has total annual revenues of about $4 billion—has capital needs of more than $6 billion between now and 1985 for process conversion, plant modernization, and capacity expansion. The industry's ability to meet these capital needs will be dictated by cement demand and by public policy considerations that affect investment in this very basic industry.

READY MIXED CONCRETE

Jon I. Mullarky
Vice President, Promotion
National Ready Mixed Concrete Association

The ready mixed concrete industry has grown steadily since its emergence as an industry in the 1920's. Production figures for 1978 computed from recently released Bureau of Mines cement shipment reports show that the ready mixed concrete producers used 67% of that year's portland cement production to manufacture 224.7 million cu. yd. of ready mixed concrete. The value of 1978 production exceeded $7 billion, while the per capita consumption reached 1.03 cu. yd. per person.

Production estimates for 1979 indicate a slight reduction in volume coupled with a slight increase in value. By year's end, the nearly 5,000 ready mixed companies in the United States will have produced nearly 221 million cu. yd. of concrete valued at $7.8 billion. While the long term outlook for the construction and ready mixed industries is a bright one, 1980 looms as a year of reduced volume and increased costs. Since I prepared my initial forecast, some two months ago, changes in monetary policy brought about by the Federal Reserve have adversely affected the construction picture for next year. The high cost of borrowed capital most certainly will reduce housing and industrial commercial construction next year. Construction economists see an overall reduction in the physical volume of construction of about 8%. If this prediction is correct, the ready mixed concrete industry will end 1980 with a production volume of only 204 million cu. yd.

1980 will be the year for the ready mixed concrete industry to promote additional uses of concrete in the fewer projects that will be built. The ready mix producer who is successful in promoting concrete parking areas, streets or basement walls in his community most assuredly will find that he has been able to offset many of the losses caused by the downturn in the construction market.

CONCRETE MASONRY

Loren E. Santo
Chairman of the Board
National Concrete
Masonry Association

1979 has been another most acceptable year for the concrete masonry industry. The much talked about recession has not made itself felt to that extent in our market. Fortunately, our involvement as an industry in the housing market is both meager and spotty as that segment of construction always has been more dependent upon outside financing and thus is more seriously affected by government control. Perhaps, this should tell us something about government regulation of the market place.

The records show that unit production for this year in the concrete masonry industry is slightly ahead of last year. And, with inflation involved, if we base our figures on dollar value, we are still farther ahead. There are areas where production is down appreciably, but these conditions are due more to shortages of fuel and cement than to the actual business climate of the area. Those producers whose basic market is directly affected by current high interest rates also are shedding a few tears. However, other areas are far ahead of their anticipated volume. Some producers even report that they cannot get far enough ahead of demand to install more modern, already purchased equipment. Generally, it has been a better year than we expected.

This is not to say that all of our industry problems have been solved. Regional problems normally are faced by the region involved, but those problems more general to the industry are approached through the National Concrete Masonry Association. With its new national headquarters facility, occupied last summer, the association is in an even stronger position of support to the industry.

Although, it seems a continual struggle to maintain a position of acceptance with code bodies and government agencies, it is encouraging to note that already the Canadians have voiced a desire to return to the use of concrete masonry in some areas of construction. Hopefully, our own people will soon awaken to the fact that concrete masonry possesses some intrinsic qualities not economically feasible with other building materials.

The continuing good health of our industry is based on the fact that our product embodies so many of the qualities desired in a building material plus the fact that it is compatible with other materials. However, continuing changes in the market place demand continuing adjustment by the industry. The increased production of larger and faster block machines now available to the industry demands larger markets to guarantee their feasibility. These increased markets are being developed. Not only are current concepts in the use of our product being expanded, but also new products which can be produced in our facilities are being introduced. Both of these developments now are well established on the American scene and are the basis of considerable optimism within the industry concerning its future.

PRECAST CONCRETE

Robert W. Walton
Executive Vice President
National Precast Concrete Assn.

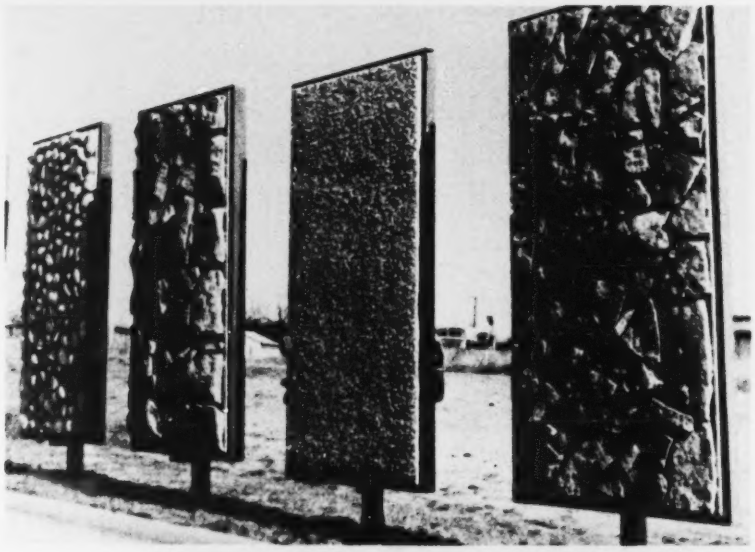
The precast industry, as represented by the National Precast Concrete Association, constitutes producers who manufacture a highly diversified product mix. Many precast concrete producer members are tied closely to residential and commercial building markets, while others are largely dependent on public sector expenditures. Also, a substantial number of our "inventory" type producers are geared to supply the power, light and communication industries. Further, of significant consequence (in the NPCA membership) are producers for the agricultural sector of our economy.

Due to the highly heterogeneous nature of the broad segment of the concrete products industry represented by NPCA, minimal specific product line information on values is available. However, the 1977 Census of Manufacturers—Concrete Products, N.E.C. (SIC 3272) reveals significant general information about precast concrete. This report indicates that precast concrete has shown a 44% increase in value of shipments since 1972 which translates into a 9% average annual gain. Excluding prestressed concrete and concrete pipe and applying the rate of 9%, it appears that the 1980 value of shipments conceivably could reach the $1.4 billion level; though recessionary conditions may reduce 1980 gross sales.

Member producers substantially tied to the residential construction market have experienced a slowdown in 1979 shipments, but not to the proportion expected by most forecasters. At this juncture (entering the fourth quarter of 1979), no cement shortages have been reported; thus, it would appear that current residential construction commitments can be met during the balance of the year.

Business trade journals and economists predict strong capital spending for the balance of 1979; however, spending for 1980 will be influenced by the degree of the present trending economic dip and it would appear that investment cannot be counted on to supply significant stimulus beyond the fourth quarter of 1979. Under consideration by Congress is the Capital Cost Recovery Act, popularly known as 10/5/3, which is aimed at solving the basic problem business faces in financing new plant and equipment. The proposed measure would shorten dramatically the time periods in which industry could depreciate its capital assets; this, of course, would encourage new investment by providing faster payouts. The adoption of this measure could drastically change the economic outlook for 1980.

As suggested in our 1979 forecast, precast concrete possesses a high degree of flexibility and versatility; precasters have mobility to tap new markets or move to sectors of steady or rising demand. NPCA's orientation leans toward assisting members in developing new products and markets. The economic road looks to be a bit "bumpy" during the coming year; this will cause us to escalate our efforts toward enlarging precast concrete's share of the construction dollar.



PRESTRESSED CONCRETE

Fromy Rosenberg
Executive Director
Prestressed Concrete Institute

Precast and prestressed concrete industry 1979 sales are surpassing those of the peak years of 1974-78. At the time of preparation of this report, it appears likely that the industry's 1979 sales volume will be well over the $1.4 billion mark. 1979 also witnessed a return to full plant production levels in almost every area of the country. In spite of a recessionary climate, early indicators point to a reasonably good 1980 for our industry.

Like other industries, the precast and prestressed concrete industry is being affected by high energy costs. To counteract this trend, PCI is studying the manufacturing process to pinpoint areas where high energy consumption might be reduced. Research also is planned for energy efficient curing methods.

PCI activities in 1980 will continue to be strongly marketing oriented. The 1980's also will witness increased emphasis on education. Greater coverage of precast and prestressed concrete in engineering curricula at the undergraduate level is necessary, to assure the industry of well trained personnel and to enable engineers and architects to confidently select precast and prestressed concrete products for their design solutions.

The wide acceptance of concrete railroad ties, the massive bridge replacement program which utilizes precast prestressed concrete construction, the further use of architectural structural products in all forms of construction, make us confident that 1980 will be a year of growth for our industry.

CONCRETE PIPE

Richard E. Barnes
President
American Concrete Pipe Association

Sales of concrete pipe in the U.S. during 1979 should record a slight increase over 1978 sales of 12.9 million tons. 1979 statistics are being compiled now. As in previous years, the major portion of production will be reinforced round pipe which represents 75% of sales. The percentage of the total represented by other products will include approximately 4% for nonreinforced round pipe, 2% for irrigation pipe, and 19% for other products, such as elliptical pipe, arch pipe, boxes, and manholes.

1978 concrete pipe products sales of 12.9 million tons compared with 11.6 million tons in 1977. This significant 11% increase clearly indicated that the sales decline between 1974 and 1978 sales almost equaling the 13.5 million ton record set in 1974.

A large percentage of the market potential for the concrete pipe industry in the United States results from a variety of water and sewer programs enacted by Congress. Funding for the construction grants program of the Environmental Protection Agency will drop significantly during 1980. Congress had authorized $5 billion for fiscal year 1980, but only appropriated $3.4 billion, and there are indications from the Senate Budget Committee and the Office of Management and Budget that a $3 billion spending limit might be established. The Federal Highway Administration also has severe funding problems because of the spending ceiling of $8.5 billion set by the Congress. State needs of close to $11 billion have been established for highway and bridge construction and repair, so these programs will be seriously underfunded. Before Congress adjourns at year end 1979, the Economic Development Administration is expected to be authorized to spend at least $1.5 billion for public works projects.

Three federal agency programs that appear to be declining are the community development block grant program of the Department of Housing and Urban Development and the water projects under the jurisdiction of the Corps of Engineers and the Water and Power Resources Service (formerly the Bureau of Reclamation). Since the Department of Housing and Urban Development program was converted from a separate categorized grant program to a block grant program, funding for water and sewer projects has decreased from a high of $250 million annually to a low last fiscal year of $92 million. Two bright spots for federal funding are the previously mentioned Economic Development Administration and the expected $1 billion Farmers Home Administration grant and loan program.

As with most other segments of the concrete industry, concrete pipe is facing increased competition and promotional efforts by substitute materials. In an effort to provide maximum support to the concrete pipe industry, the American Concrete Pipe Association has developed an intensified marketing effort which will be initiated at the beginning of 1980. These activities will include publication and wide distribution of a new Concrete Pipe Handbook to practicing engineers and engineering students, expanded training seminars for promotional representatives of member companies, and an advertising and

public relations program. This program will be a coordinated effort budgeted at almost $150,000 to include advertising in magazines, public relations activities, and special direct mail efforts. It has also been determined by the Board of Directors of the American Concrete Pipe Association that 1980 will be only the first year of a multiyear program. It is anticipated the budget for the program will be increased each year, and, while it may be modest compared to the amount spent by the large corporations marketing several other pipe products, it is anticipated these activities will contribute significantly toward increasing the share of the market for concrete pipe.

During this period of high interest rates, tight money, energy unknowns, talk of recession, and political campaigning, it is even more difficult to project the future than it has been in past years. We recently conducted informal surveys among the members of the American Concrete Pipe Association, and, while there is pessimism in some parts of the country, there is guarded optimism in other areas. 1980 could be a year of change and confusion, but, as it presently appears, sales of concrete pipe during the coming year should equal 1979 sales. The concrete pipe industry has a new product in precast concrete box bridge sections, increased engineering knowledge as a result of the product research sponsored over the past several years, and an intensified marketing plan. With these tools, we expect to not only maintain current markets, but to expand into market areas now serviced by competitive materials.

LIGHTWEIGHT AGGREGATES

T. R. Berger
Executive Director
Lightweight Aggregate Producers Association

The past 12 months have been relatively stable for those members of our association who produce lightweight aggregate by the sintered/travelling grate process. This is a pleasant statement of fact in view of the uncertainties that were prevalent this time a year ago when our people went through the traditional ordeal of endeavoring to penetrate that enigmatic crystal ball. The industry's relatively strong showing occurred despite the continuing onslaught of inflationary pressures.

In at least one plant, however, the year's financial results were adversely affected by a very considerable capital investment in additional pollution control equipment; in several others, by the high cost of updating basic manufacturing components. Staying in business in today's times and combatting the unrelenting battle against the higher cost of everything is not only a test of astute operating efficiency but also demands a special kind of dogged determination.

As has proven to be the case in recent years, by far the greatest utilization of expanded clay and shale lightweight aggregate was in the field of masonry units. This is not to say that there was any ignoring of uses for other areas such as structural concrete, sewer bedding, running tracks, agronomy (admixtures for potting soil) and the like.

A number of our producers noted energy conservation trends toward wood burning stoves; they prepared technical guidelines for those installing a wood burning heating source in their homes either as a major supplement to regular home heating systems or as the only home heating source. Producers issued instructions on concrete masonry chimney construction with helpful hints on proper sizing of a stove, design of concrete chimney foundations, flue liners, smoke pipe connections, and on chimney construction using insulated lightweight block.

There also was emphasis on the advantages of using lightweight concrete block with insulating fill in the cores for exterior insulation; when painted, such block provides interior and exterior finish. Producers pointed out that the block wall provides bearing capacity to support bar joist roof construction. The versatility of design—corduroy textured lightweight aggregate concrete block, for example—was underscored as were the energy-saving benefits of masonry construction.

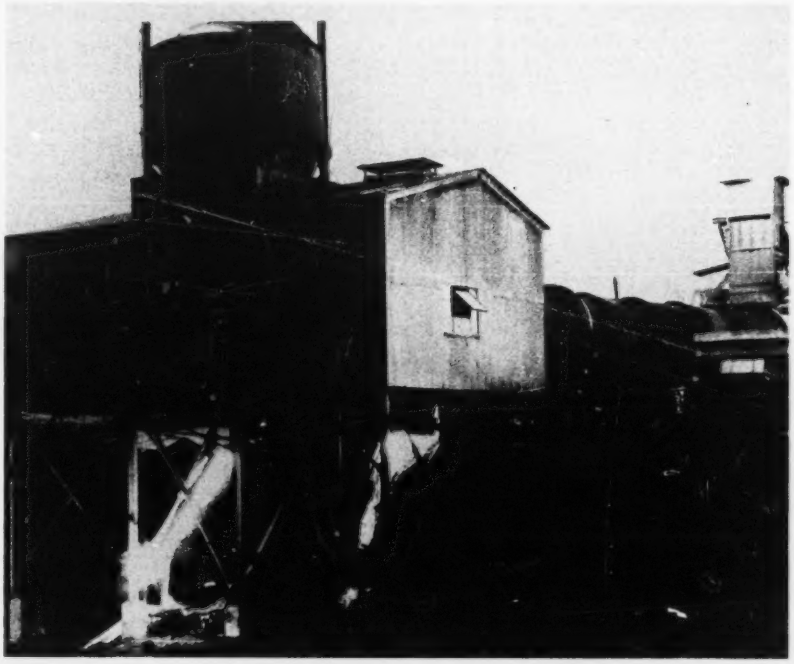
Marketing efforts also included promotion for the use of lightweight aggregates with heavier by-products, such as slag, in medium weight block. (It has been found that blending a small amount of heavier fine aggregates with high quality lightweight aggregates makes a superior lightweight concrete block.) The importance of the block measuring up to ASTM performance standards, to HUD requirements, and

to state and local energy regulations was stressed.

The tremendous increase in interest rates, which made itself heavily felt in the last quarter of the year, had a sharp impact on residential construction. However, there was considerable activity in commercial and industrial building.

Several producers conducted seminars for building inspectors in their marketing territories to show the particular advantages of lightweight block for insulating requirements.

It must be pointed out that the attrition rate in the lightweight aggregate industry has resulted in fewer producers being available to meet the demand; undeniably, this has been a factor in the stability of those still on the scene.



What about 1980? In the words of one producer, "If inflation continues to run at the rate of 10 to 15%, we probably will have little choice but to try to match this with a corresponding increase in the price of product." This same producer noted that his firm had reluctantly raised prices by 7% on April 1 and by another 3% on October 1.

In summary, 1979 was not as busy as 1978 but not as poor as the prospect that appeared during forecast time 12 months ago. The general concensus is that 1980 will be a "question mark" year because of the uncertain impact of high money costs on residential building. Producers generally are not stockpiling and there has been no great buildup of inventories, although most prefer to have at least 60 days' supply as they head into the better weather construction season. Just about every plant has come through a cycle of expensive outlays for pollution control equipment, which now is installed and operating; repairs and modernization of plant facilities; and essential repairs which necessitated some down time. The word now seems to be, as producers look ahead to entering into a new decade, that we're "ready, willing and able" to go.

Harry C. Robinson
Managing Director
Expanded Shale Clay and Slate Institute

Expanded Shale Clay and Slate Institute members (rotary kiln process) have been keeping up with environmental regulations and high energy costs by constantly improving their overall efficiency in the production of lightweight aggregate.

Though it is predicted that 1980 housing starts will be down slightly as compared to 1979, ESCSI members still expect 1980 sales to be up at least 10%. High interest on mortgage money is expected to slow down the housing market in the first quarter. The closer we get to the November elections, the more we anticipate that measures will be devised to improve the mortgage money situation. This should trigger a rise in home and nonresidential construction.

With higher heating and cooling costs, we predict that more lightweight aggregate concrete and concrete masonry will be used because of their proven energy saving benefits due to superior insulation properties.

State group leaders report area conditions

1979 a good year, but slowdown in 1980

FLORIDA

Stanley I. Hand
Executive Director
Florida Concrete and Products Association, Inc.

1979 sales for concrete and concrete products increased statewide on an average of 30% over 1978. Two major problems have affected our total sales: our masonry units production capacity has not been able to keep pace with demand, and the energy requirements for masonry homes have slowed the permitting process, thus delaying construction starts. The association and its members became totally involved in the protection of our block market from the potential effects of the new "energy code." At this point, it appears that our efforts are producing positive results not only in protecting the concrete block market, but in giving us ample opportunity to demonstrate the insulating and cost superiority of our products over other building materials.

As to 1980, there is little doubt that demand for single and multifamily housing will taper off due to the inability of potential buyers to qualify for mortgages under the extremely high interest rates now in effect This downturn in building activity has been forecast throughout the state and it appears that 1980 will be somewhere between 15% and 20% under 1979. While we expect 1980 product demand to decrease, we do not in any way feel that we are looking at another 1975.

Single family permits are presently on the decline and this trend is expected to continue and worsen into the second quarter of 1980. We expect many of the intermediate and large projects to be delayed due to bids coming in over budget and the high interest rates. The second half of 1980 and early 1981 appear optimistic with lower interest rates predicted by mid-year and an increased demand for housing.

We expect Florida to react above the national average. We recognize the problems of rising interest rates in our large residential market but feel a large portion of that market will sustain itself unless interest rates become catastrophic. The other facets that make up the total expected construction market should remain strong. In short, 1980 should come close to repeating '79 volumes.

NEBRASKA

R. E. Eichelberger
Executive Secretary
Nebraska Sand, Gravel & Ready Mixed Concrete Association

Omaha's volume for the year 1979 was about on a par with 1978, which was one of their better years. This included city and county as well as commercial and home building. The feeling for 1980 is that, because of the high interest rates and the tight money market, the year could be off as much as 10 to 15%.

Lincoln's volume was up about 5% over 1978, but feeling regarding 1980 is similar to Omaha—down at least 10%.

Outstate Nebraska followed pretty much the pattern of Lincoln with much the same feeling for 1980.

The state highway program is a real puzzle. The officials in the department have yet to indicate what their plans are for the 1980 program—evidently due to unsettled national conditions. Highway paving contractors fear a sharp fall-off in the 1980 highway program in Nebraska. We wish the picture were brighter.

INDIANA

Richard O. Albright
Executive Director
Indiana Concrete Council

1979 turned out to be a better year than expected for most Indiana ready mixed concrete producers in spite of a very severe winter and a wet summer. Some producers in rural areas who depend primarily on residential and farm construction had a lackluster second half, but many producers with industrial construction markets experienced record years. Overall, Indiana producers, while recognizing that most of the usual signs signal downturn, seem to look forward to 1980 with optimism. The only reason most of them can give for their guarded optimism is that "it's an election year."

All of the experts point to the housing market as a loser in 1980, but there is an acknowledged backlog of demand for single-family and multi-family units, and in many areas the builders have depleted their inventories of developed lots. There is an expectation that somehow the home building industry will exercise its political clout and get the federal government to ease financing so that housing will be back on track in the second half of 1980.

Pollution control projects and bridge replacements should be the high spots in the public works field, but a possible new infusion of user taxes for highway rehabilitation and a hoped-for substitution of concrete for expensive, scarce asphalt in 3R projects could add to concrete paving volume. Again, the fact that 1980 is an election year casts some doubts on the prospects for any state highway tax increase.

There continues to be a backlog of industrial and commercial projects already underway and design offices seem to be very busy preparing plans for more, but, unless interest rates drop significantly, not many new projects are expected. In a state very dependent on the automotive and mobile home markets, most everyone agrees that things will get worse before they get better.

Indiana farmers have been producing bumper crops of hogs and grain with resulting lower prices. Transportation of grain continues to be a problem for the region; therefore, grain storage should continue to be a strong construction market as farmers work to reduce spoilage and to give themselves more flexibility in marketing their crops.

Indiana producers seem to have learned to live with expectations of high inflation; anticipated price increases for materials and equipment do not create the same uneasiness they did a year ago. The cement supply this past year was much improved, but the announced closing of one of the largest cement mills in the state and anticipated mill closings in neighboring states are causes for concern in 1980. Supplies of quality aggregates are more difficult to find and more expensive to buy and haul. Fuel supplies seem to be more fragile and a source for growing concern. Ready mix trucks are more readily available,

but the financing costs have discouraged many to want to upgrade their fleets.

1980 looks like a year when there still will be good markets for ready mixed concrete and plenty of incentive to expand markets into new areas, but the economic factors will demand more attention in order to maintain profits, and the political factors will make big differences for several years to come. If cement shipments into Indiana come close to 1.7 million tons again, 1980 will be a busy, and hopefully, profitable year with ready mix sales of more than 4.4 million cu. yd.

CALIFORNIA

Don Reining
Executive Secretary
Southern California Ready Mixed Concrete Association

The economic climate in the Los Angeles basin has held firm for the past two years. Like other parts of the nation there was a cement shortage in 1978 and this curtailed production to some degree. In 1979, the shortage seemed to ease out and, although there were some scares in the spring, there appeared to be a continuous flow of cement to the ready mix marketplace.

Employment has held up well in California this year (6.8%). I suspect that a lot of the money the taxpayers were allowed to keep because of the passage of Proposition 13, money that would normally have gone to the government, was spent instead in the marketplace. This generated new dollars in many areas including construction.

As far as 1980 is concerned, Proposition 2, passed in the last election, has brought new money into California. A constitutional amendment limited the amount of interest to be charged in the state (10%).

Some observers believe that rent control in our densely populated areas has been the reason a number of large developers have moved their operations to Texas and points east. Major banking institutions forecast a 12-18% decrease in the housing market for 1980 in California. Closing out the construction evaluation, a total of $2.9 billion was spent in the third quarter for the seven county area, unchanged from the previous quarter and 19.7% above the total for the third quarter of 1978. The seven county area in California consists of Los Angeles, Orange, Riverside, San Bernardino, San Diego, Ventura and Santa Barbara counties.

Jack Cedarblade
Executive Secretary
Aggregates and Concrete Association of Northern California, Inc.

In 1979, aggregates and concrete production continued at high levels. Some weakness manifested itself in the third quarter, but "pre-rain" trade was brisk in the last quarter. Although production remained high throughout the year, it is believed that cost elements increased more sharply than did product price with uncertain results on profits related to 1978.

Shoals to be watched are the consequences on homebuilding and home buying of the rise in interest rates; the uncertainties of the Carter voluntary wage-price limitations; and the prospects for available cement.

Joseph Wahed, vice president, Economic Research, Wells Fargo Bank, speaking to ACA members in early November, forecast for 1980, a 25% drop in new housing construction authorized in northern California-Reno metro area. He also forecast a 1980 population increase of 1.3% for northern California and 5% for Reno; a 1.5% employment increase in northern California and 2% in Reno; and, for personal income, he predicts increases of 9.4% for northern California and 10.5% for Reno. Housing demonstrates the classical economic distinction between "effective" and "available" demand. Put another way, it is much easier to obtain employment in Reno or Santa Clara County, Calif. than to obtain housing in either place.

The impact of a residential construction decline is not necessarily felt generally by concrete producers. If concrete sales to homebuilding constitute a heavy portion of total deliveries, producers will be seeking replacement market opportunities. But, if sales are largely to other uses, it will be found that markets are active, particularly commercial and public work. It can be expected, however, that more concrete producers will be seeking new sales opportunities, and increased competition could mean price flutters in metro markets.

Public works forecasts for five Bay Area Counties show more than $2 billion annually for 1980 through 1982. Good prospects for rural construction also are seen. Northern Central Valley communities have grown with the infusion of "refugees" from the Los Angeles, Bay Area and Sacramento metro areas. Sewage Construction in fiscal 1979 totals $1.06 billion in California sewage districts, $1.08 billion in fiscal 1980; and $1.05 billion in fiscal 1981. What the history of California growth suggests is that, as land value rises, a migration to less costly land occurs. Adjacent areas, such as San Mateo and particularly Alameda counties, probably will experience high growth to accommodate those who see the Bay Area's steady population expansion as a promising market.

Since it is not possible for concrete or aggregates producers to remain "unspotted from the world", what's seen ahead demands recognition and eventual adjustment.

Energy must remain a concern of the industry. Major energy bills before Congress, so-called "fast track" energy proposals, require the relaxation of environmental regulation to speed development of alternative fuel sources. From

California aggregates producers' experience comes awareness that such confrontations can be costly, a great user of time, and often a prelude to litigation.

Awareness that energy is a national concern must stir not only efforts to increase it, but efforts to restrain our demands.

Thoughtful aggregate and concrete producers will be making their own internal adjustments to restrain energy costs and to foresee future needs. California needs nearly 38,000 megawatts of added electrical generating capacity by 1995, a fact reported in October to the Joint Legislative Committee on the State's Economy by Vice President Dr. Lewis J. Perl of National Economic Research Associates.

Inflation poses this question: do producers of concrete or aggregates really know how to price their products in competitive markets when all elements of production are rising explosively? Those who find an answer will live to fight another year.

CAROLINAS

Virgil S. Weathers
Executive Secretary
The Carolinas R/M Concrete Assn.

The 1980 outlook for the ready mixed concrete industry in the Carolinas is promising. There are some problem areas, but most producers are optimistic. The residential market likely will show some weakening, but this should be offset by commercial work. The amount of new industry that has been obtained by South Carolina during the first ten months of 1979 exceeds that of any full year in the state's history. North Carolina continues to attract new industry in ever increasing amounts. Workers in the industries of the Carolinas are among the most loyal and productive to be found in the country; some believe this outstanding record of productivity and loyalty has caused many new industries to locate in this area.

The Carolinas Ready Mixed Concrete Association has been actively promoting concrete parking areas for several years. New effort will be expended during 1980 to increase the number of concrete streets, concrete floor slabs, and concrete basement walls. A series of promotional seminars will be held during January and February to acquaint producers with promotional programs which they can use in their local promotion.

Those of us in the Carolinas are not naive, but we grow a little impatient with the experts on the nation's economic future who continue to predict a severe recession, and who at times, actually seem to regret that the recession is still not with us in the degree predicted. We believe that constant and intelligent effort on the part of our producers and their suppliers will result in good progress in 1980. We are indeed optimistic and hope that we are not being foolish in believing that good things are in store for the concrete industry in the Carolinas. At any rate, our industry will not be idle while waiting for a recession which may not be as severe as has been predicted by some!

OREGON

A. G. Heizenrader
Managing Director
Oregon Concrete & Aggregate Producers Association, Inc.

With so many indicators now available for forecasting, it would seem that the task should involve only a simple compilation of facts. Our problem is that all indicators are not pointing toward the same direction.

At the time of this writing, we are winding-up one of the best production and sales records in years for both concrete and aggregate. But we also are experiencing major cut-backs in our state's primary industry, forest products. With national housing "off" and forest product production "down," Oregon has felt the pinch. This fact, of course, relates to the growth and substance of the concrete and aggregate industry in our region. Coupled with the facts that surround an election year, we can only speculate that 1980 will produce a varied impact. However, most engineering firms are busy with work on their drawing boards. Fluctuating interest rates will determine which projects actually will go to construction.

Besides economics, industry leaders are concerned with the compounding of governmental regulations. MSHA, OSHA, EPA, etc. rate highest on our association's list of priorities. Land use planning, with local zoning bodies, is a serious threat to our state's future aggregate resources (FAR). Our FAR Project, initiated in 1977, has drawn great support and proven itself effective in some instances. Decisions within our land use process in the coming year will be critical.

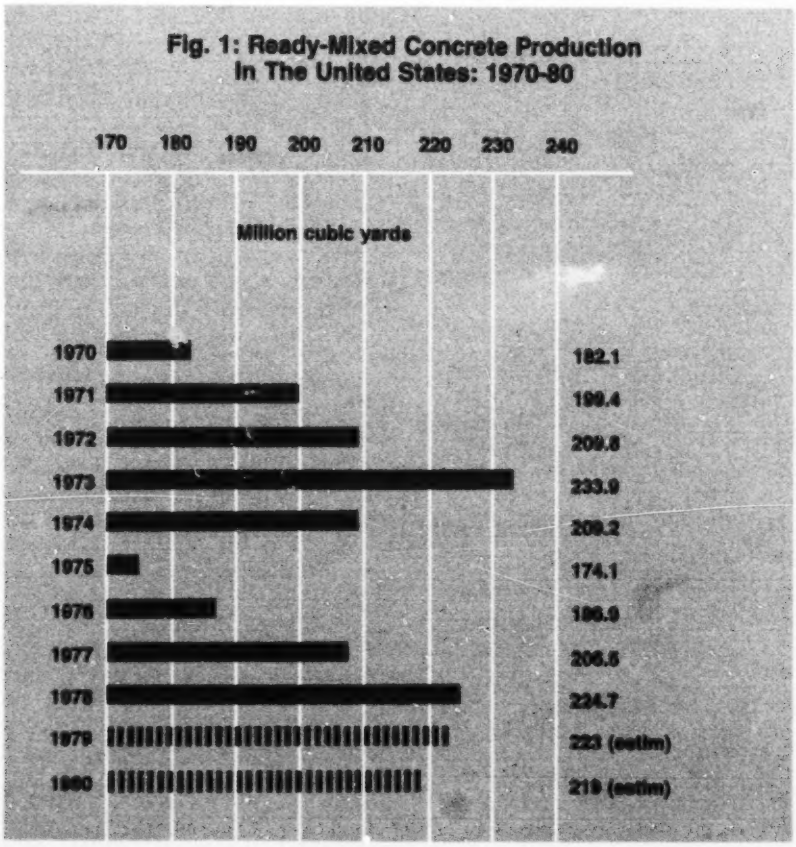
Let's hope that current negative trends will peak and decline in the decade ahead. With collective industry involvement and leadership, we predict that the 80's can bring acceptable solutions for the challenges we now face.

Analyses from Modern Concrete's 1979 survey

Ready mixed concrete

Survey points to slight production dip in 1980

BY SID LEVINE



The volume of ready-mixed concrete production for 1979 probably will be slightly below the 1978 total of 224.7 million cu. yd. A drop of about 2% in ready-mix production is projected for 1980 (see Fig. 1). In contrast with 1978, no major shortage conditions have been reported in 1979.

New construction spending for work put-in-place in 1980 is expected to be virtually the same as in 1979, according to the Department of Commerce's annual publication, "U.S. Industrial Outlook." This report includes one- and five-year projections for major manufacturing and service industries. In 1979, actual construction outlays were estimated at $222.5 billion. Based on constant 1972 dollars, 1979 volume declined by about 5% from 1978.

1980 outlays are expected to represent 9% less physical volume of work put-in-place (based on 1972 constant dollars) than in 1979. Compared with the peak physical volume of 1973, new construction activity will be about one-fifth lower in 1980.

Fig. 2 Production Changes: 1979/8	North East	South East	North Central	South West	West	Average
Respondents with:						
Production increase (%)	56.7%	60.7%	45.0%	54.9%	57.5%	57.0%
Production decreased (%)	24.2	32.1	42.0	29.0	30.0	31.5
No change (%)	9.1	7.2	13.0	16.1	12.5	11.5
Respondents with production increases in the 1-10% range (%)	40.8	41.1	37.0	35.3	43.5	39.6
Average increase (%)	4.4	5.4	5.2	3.5	5.8	5.0
11-20% range (%)	31.2	35.3	37.0	41.1	30.4	35.2
Average increase (%)	13.3	13.2	16.9	15.5	15.4	14.9
21-30% range (%)	13.7	11.8	11.2	11.8	8.7	11.4
Average increase (%)	26.4	25.0	25.8	25.8	26.2	25.8
31 + % range (%)	13.8	11.8	14.8	11.8	17.4	13.9
Average increase (%)	47.4	54.0	37.9	47.8	37.4	44.9
Respondents with production decreases						
Range of decreases (%)	1-56	3-26	1-54	1.5-14	1.5-33	1-56
Average decrease (%)	19.7	15.2	14.7	8.4	12.2	14.0

Fig. 3 Projected Production Changes for 1980	North East	South East	North Central	South West	West	Average
Respondents anticipating 1980 production						
To increase (%)	21.2%	25.0%	25.0%	29.0%	27.5%	25.6%
To decrease (%)	27.3	32.1	26.7	42.0	47.5	35.1
Not to change (%)	33.3	35.7	35.0	22.6	20.0	29.3
Not sure (%)	18.2	7.2	13.3	6.4	5.0	10.0
Projected 1980/79 increase:						
Range (%)	3-25	3-18	5-25	3-10	2-50	2-50
Average (%)	9.6	11.3	9.7	7.9	11.1	9.9
Projected 1980/79 decrease:						
Range (%)	5-20	5-50	5-50	9-30	5-40	5-50
Average (%)	8.8	16.7	16.7	13.4	14.1	13.9

Fig. 4 Price Changes: 1979/8	North East	South East	North Central	South West	West	Average
Respondents indicating price increases (%)	100%	97.0%	93.0%	94.0%	95.0%	96.0%
Range of increase (%)	3-13	4-15	4-16	5-25	1-30	1-30
Average increase (%)	8.6	9.0	10.6	11.4	9.5	9.9

Fig. 5 Hourly Wage Changes: 1979/8	North East	South East	North Central	South West	West	Average
Respondents indicating wage increases (%)	94.0%	97.0%	98.0%	100%	100%	98.0%
Range of increases (%)	5-22	5-20	5-20	5-22	1-30	1-22
Average increase (%)	9.0	9.9	10.1	11.1	9.7	10.0

Fig. 6 Maintenance Cost Increases: 1979/8	North East	South East	North Central	South West	West	Average
Range of increases (%)	8-50%	7-40%	5-100%	5-50%	2-60%	2-60%
Average increase (%)	19.0	16.1	20.4	19.2	18.6	18.1

Fig. 7 Raw Material Cost Increases: 1979/8	North East	South East	North Central	South West	West	Average
Range of increase (%)	5-100%	5-30%	1-40%	10-48%	5-97%	1-100%
Average increase (%)	15.0	12.9	13.9	17.8	22.3	14.4

Fig. 8 New Equipment Expenditures Planned for 1980	
Cost Range (dollars)	Percent of Respondents
To $50,000	5.56%
$50,001-100,000	41.11
$100,001-200,000	15.56
$200,001-300,000	17.78
$300,001-500,000	12.22
$500,001-1,500,000	4.44
$1,500,001	3.33

Fig. 9 New Plant Expenditures Anticipated for 1980	
Cost Range (dollars)	Percent of Respondents
$50,000-150,000	61.5%
$150,001-250,000	38.5
$250,001-500,000	15.5
$500,001-1,000,000	10.5
Over $1,000,000	3.5

Fig. 10 Modernization/Expansion Expenditures Planned for 1980	
Cost Range (dollars)	Percent of Respondents
$10,000-49,999	48.3%
$50,000-99,999	26.7
$100,000-199,999	16.7
$200,000-499,999	6.7
$500,000 +	1.6

The total value of contracts for new construction in 1980 was estimated at $165.5 billion in the "1980 Dodge/Sweet's Construction Outlook" (prepared October 1979). According to the report, this is a gain of 2% over 1979's dollar amount, but an 8% decline in 1980 volume when adjusted for inflation. Various economic forecasts predict housing starts for 1980 to range from 1.6 down to 1.2 million, compared with 1.7 million in 1979 and 2 million in 1978.

Production changes: 1979/78

MODERN CONCRETE's annual year-end survey indicates that on a national basis, 57% of the ready-mix producers noted an increase in their production in 1979; 31.5% said their production decreased, and 11.5% estimated that their 1979 output was about the same as in 1978. Production changes for the various regions of the country are shown in Fig. 2.

Production forecast for 1980

Only about 25.6% of the producers anticipated an increase in production in 1980; 35.1% felt that their output would drop;

29.3% expected no change; 10% said they were not sure. Projected increases averaged 9.9%, and anticipated decreases averaged 13.9%. A regional breakdown is given in Fig. 3.

Price and wages changes

Ninety-six percent of the respondents to the Modern Concrete questionnaire indicated that they had raised ready-mix prices in 1979. The price increases ranged between 1 and 30%, averaging 9.9%. Hourly wages were increased in 1979 by 98% of the respondents for an average of 10%. The ranges and averages for the several regions are tabulated in Figs. 4 and 5.

Maintenance and material cost increases

As shown in Figs. 6 and 7, maintenance and raw materials cost increases for ready-mix producers varied widely. Maintenance costs rose between 2 and 60% according to the respondents, averaging 19.1% nationally. Raw material costs averaged 14.4%, but one company stated that its costs jumped 100%.

Plans for 1980

About 47% of the respondents expected to purchase new equipment in 1980. Approximately 41% of the expenditures are expected to be in the $50,000 to $100,000 range; 33% in the $100,000-$300,000 range; and 17% in the $300,000 plus range (see Fig. 8).

Expenditures for new plants have been planned by about 10% of the ready-mix producers. The cost range for about 68% of the anticipated new projects is between $50,000 and $250,000. (See Fig. 9.)

Modernization and expansion projects have been planned by 31% of the respondents. About half of the cost estimates are in the $10,000 to $50,000 range. (See Fig. 10.)

Maintenance and safety

As in previous years, truck tires, transmissions, engines, and the slow availability of truck parts were voted as the most troublesome or costly problems. Fuel costs and the inability to obtain or retain good mechanics also were listed as maintenance problems.

In response to the query "Have you had any difficulties with OSHA inspections?", only 4% of the respondents answered "Yes." Complaints included burdensome paperwork, unjustified regulations, and inconsistent inspection citations. ●

Concrete masonry

A review of 1979 and outlook for 1980 as producers see it

BY FLOYD LEVERETTE

Comparison of Reported Production 1979 vs. 1978

	Had Increase %	% Increase (Average)	Had Decrease %	% Decrease (Average)	No Change %
National Average					
1979 vs. 1978	46.2	11.0	32.7	9.5	21.1
1978 vs. 1977	70.7	13.6	14.0	12.9	14.6
North East					
1979 vs. 1978	37.0	13.9	22.2	10.0	40.8
1978 vs. 1977	66.7	16.7	12.5	13.8	20.8
South East					
1979 vs. 1978	47.7	12.4	38.6	10.1	13.7
1978 vs. 1977	70.8	18.4	25.5	8.4	4.2
North Central					
1979 vs. 1978	36.8	10.3	47.4	11.1	15.8
1978 vs. 1977	71.4	22.9	17.9	14.7	10.7
Southwest/West					
1979 vs. 1978	57.4	10.3	21.3	7.2	21.3
1978 vs. 1977	76.9	21.5	0	0	23.1

Was 1979 a good year for the concrete masonry industry? Will 1980 be a good year—better or worse than 1979?

Every producer in the country can answer the first question as it specifically relates to his firm. Return on investment is regarded as a basic criterion in determining if a year has been good or bad. Each individual producer has a pretty good handle on the reasons why his firm had a favorable or unfavorable return on investment.

As always, the big question is what can the individual producer do to sustain or achieve a favorable return on investment in the coming year? This opens a Pandora's Box containing many fac-

Prices vs. Wages 1979 vs. 1978								
	Increased Prices %	Average Increase %	Increase Range %	No Increase %	Increased Wages %	Average Increase %	Increase Range %	No Increase %
National average								
1979	96.1	10.2	3-37.4	3.8	[illegible]	[illegible]	[illegible]	1.4
1978	97.8	9.4	1-20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
North East								
1979	96.3	11.5	3-22	3.7	96.3	[illegible]	5-12	3.7
1978	100.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
South East								
1979	97.9	10.7	5-37.4	2.1	97.9	9.7	7-15	2.5
1978	94.7	11.5	5-20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
North Central								
1979	92.3	9.4	5-21	7.7	100.0	[illegible]	4-20	0
1978	95.8	7.6	2-12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Southwest/West								
1979	98.0	9.3	5-20	2.0	100.0	11.3	[illegible]	0
1978	100.0	10.1	1-15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Operating Costs 1979 vs. 1978 Maintenance/Raw Materials						
	Maintenance Costs Up %	Average Increase %	Range of Increase %	Maintenance Costs Up %	Average Increase %	Range of Increase %
National average						
1979	85.1	17.3	3-80	90.3	14.2	4-35
1978	81.3	13.6	4-42	[illegible]	[illegible]	[illegible]
North East						
1979	85.2	15.5	5-32	[illegible]	15.4	4-30
1978	98.0	18.4	5-30	[illegible]	[illegible]	[illegible]
South East						
1979	91.7	16.0	5-32	91.7	13.4	5-33
1978	84.0	12.4	[illegible]	[illegible]	[illegible]	[illegible]
North Central						
1979	79.5	15.8	5-30	87.2	12.4	4-25
1978	71.0	15.8	10-42	[illegible]	[illegible]	[illegible]
Southwest/West						
1979	84.0	21.7	5-80	93.3	14.4	5-35
1978	74.0	14.3	4-42	[illegible]	[illegible]	[illegible]

1980 Expenditure Estimates vs. 1979 Estimates						
	New Plants %	Average Amt. ($1,000)	New Equipment %	Average Amt. ($1,000)	Equipment Expansion %	Average Amt. ($1,000)
National average						
estimate 1980	10.5	1,326.6	36.7	219.5	28.7	120.3
estimated 1979	8.7	460.3	[illegible]	[illegible]	[illegible]	[illegible]
North East						
estimate 1980	11.1	1,500.0	25.9	226.7	22.2	89.3
estimated 1979	16.0	1,118.0	[illegible]	[illegible]	[illegible]	[illegible]
South East						
estimate 1980	10.4	525.0	36.4	139.3	31.2	129.3
estimated 1979	15.6	275.0	[illegible]	[illegible]	[illegible]	[illegible]
North Central						
estimate 1980	12.8	1,820.0	46.2	285.0	32.1	81.8
estimated 1979	3.0	480.0	[illegible]	[illegible]	[illegible]	[illegible]
Southwest/West						
estimate 1980	7.7	1,551.8	39.2	207.9	[illegible]	[illegible]
estimated 1979	0	0	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]	[illegible]	[illegible]	[illegible]	North Central	Southwest/ West
[illegible]	[illegible]	[illegible]	27.1	35.1	34.7
[illegible]	11.4	7.3	12.8	10.8	14.8
[illegible]	[illegible]	48.0	68.4	58.1	78.6
[illegible]	[illegible]	37.0	47.7	36.8	57.4
[illegible]	10.6	12.7	12.3	9.7	9.4
[illegible]	[illegible]	[illegible]	12.4	10.3	10.3
[illegible]	[illegible]	[illegible]	66.8	35.1	28.6
[illegible]	13.6	10.4	14.3	13.9	15.7
[illegible]	5.8	1.0	5.3	6.5	0
[illegible]	48.7	29.2	38.6	47.4	21.3
[illegible]	6.6	10.0	10.0	6.5	0
[illegible]	[illegible]	[illegible]	10.1	11.1	7.2
[illegible]	[illegible]	[illegible]	20.8	24.4	26.5
[illegible]	24.7	32.0	26.3	22.6	14.3
[illegible]	[illegible]	[illegible]	13.7	15.6	21.3
[illegible]	[illegible]	11.1	12.5	5.4	9.4
[illegible]	[illegible]	[illegible]	0	12.9	7.1

[illegible]	[illegible]		[illegible]		[illegible]		North Central		Southwest/ West	
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	87.2	77.4	89.8	100.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	19.4	20.8	15.2	14.3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	29.2	14.8	7.1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	35.9	27.4	60.0	78.6

[illegible]	[illegible]		[illegible]	
	Yes %	No %	Yes %	No %
[illegible]	11.0	89.0	11.9	88.1
[illegible]	4.0	96.0	12.0	88.0
[illegible]	12.8	87.2	22.2	77.8
[illegible]	18.4	81.6	13.3	86.7
[illegible]	8.6	91.4	0	100.0

tors which must be considered in searching for the answer and making plans or business estimates for the coming year.

Each year, MODERN CONCRETE's annual industry-wide survey, which makes use of a confidential questionnaire mailing, endeavors to develop data which will provide answers for these two questions—at least what producers have experienced in the past year and what they see for the coming year.

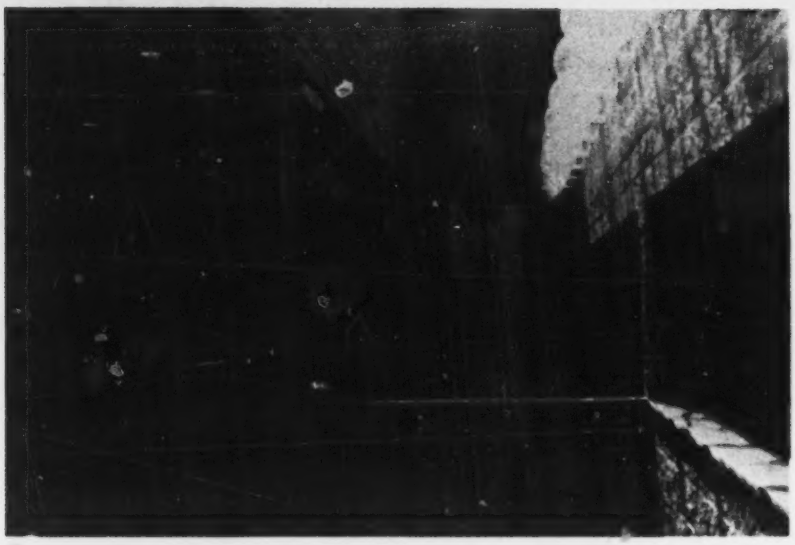
A look at 1979

Using reported production volume figures (standard 8 in. equivalents) as a basis for comparison, and with 46.2% of the producers reporting a 11.6% average increase in production volume during 1979, it would seem accurate to conclude that the past year was a good year. However, it must be remembered that the year was somewhat depressed when it is compared with 1978/77. Last year, 70.7% of producers answering the MODERN CONCRETE survey reported an 18.8% average increase in 1978 compared with 1977.

The northeast and north central areas apparently did not enjoy the marketing activity characterizing the national scene. Only 37% reported production increases, averaging 13.9% in the northeast; 36.8% reported increases averaging 10.3% in the north central region. The combined southwest and west, for the second consecutive year, led with 57.4% reporting an increase for 1979; 76.9% reported an increase in 1978 (the latter compares with the national figure of 70.7% reporting an increase in 1978).

Producers in the north central states apparently experienced a further set-back in 1979 as 47.4% reported a decrease compared with the 17.9% from this region reporting a decrease in 1978. Producers in this region, 71.4% of them, had reported an increase in production volume in 1978 averaging a healthy 22.9%.

It is obvious that the market demand in all regions is not equal nor is it giving any indications of leveling off. Pockets of active markets and depressed markets con-



tinue to exist and these are constantly changing, region by region, from one year to the next.

It costs more to do business

No one needs to be reminded that business operating costs have been, and still are, increasing. Rising costs for raw materials and maintenance of machinery and equipment prevailed again in 1979. Slightly more than 85% of the producers reported an average increase of 17.3% in maintenance costs for last year, an increase over the 81.3% of the producers who had an average increase of 13.8% in 1978.

The rising costs of raw materials had an even greater impact on producer operating costs in 1979. The survey revealed that 90.3% of the respondents had an average increase of 14.2%, ranging from a low of 4% to a high of 35%. This is quite a substantial increase from the 83.1% reporting an average of 11.2% increase in raw materials costs in 1978.

Increased wages during the past year also contributed to general operating cost increases for 98.6% of those surveyed. Percentage-wise this was not too much greater than the 98% reporting wages increases in 1978. However, the 1979 average increase of 9.9% was a substantial jump over the 8.5% average for 1978.

One measure available to producers, to compensate for rising operating costs, is to raise the price of their products. This they did, 96.1% of them, but this was only a slight decline from the 97.8% who raised prices in 1978. On the other hand, the 10.2% average price increase in 1979 was only slightly above the 9.4% average price increase in 1978.

Maintenance troublesome

A startling fact was revealed by the survey question regarding what maintenance factor was the most troublesome in 1979. General maintenance of delivery trucks and plant vehicles, including fork lifts, came in for abundant mention. So did repair of molds and electrical systems for automated batching and material and product handling machinery.

However, at the top of the list in frequency of mentions, was the availability and spiralling high costs of replacement parts. As this question provided for a write-in answer, respondents were quite emphatic and distraught about these two factors. There was no indication that these factors related to a specific type of equipment or machinery; it is assumed this was a characteristic difficulty connected with the maintenance and repair of all equipment and machinery.

OSHA difficulties

The acronym, OSHA, has, over the past couple of years, almost become a symbol suggesting pending trouble or difficulties for any plant subjected to an OSHA inspection. Respondents to MODERN CONCRETE'S 1979 survey have indicated that OSHA has not presented difficulties for as many producers as might have been anticipated.

Nationally, 11% indicated "difficulties" with OSHA during 1979, compared with 11.9% in 1978. For those indicating "no difficulties," it cannot be interpreted that this was because they had not been subjected to an inspection. It is unreasonable to assume that 89% of the survey respondents escaped, "scot-free," without an inspection during the year.

Understandably, many who gave an affirmative answer offered no further explanation. A great many did offer such descriptive phrases as "nit-picking" or "inexperienced" in reference to their experience with an OSHA inspection/inspector.

"Penalties or fines out of proportion to the specific violation" was frequently cited as the difficulty with OSHA. One producer, reporting a fine of more than $2,000 for an infraction, took the case to court and was awarded substan-

tial relief. This producer said he is convinced that "outrageous fines for violations can be brought more into line with the severity of the violation if the case is fought in court."

What's in store for 1980?

Inflation, mortgage rates, energy conservation, government regulations and inconsistencies in building codes, and sundry other socio-economic factors make up the potpourri of problems confronting the construction industry; these factors influence the demand for building components, including concrete masonry units. From this "Dukes-Mixture," each producer must determine which factor(s) have, and will have, the greatest influence in his market area.

Despite all these seemingly uncontrollable influences, which existed in 1979 and presumably will be with us for 1980, the concrete masonry industry and the producers surveyed still take a posture of optimism for the coming year—though in somewhat conservative numbers.

Nationally, 31.6% of the producers surveyed are optimistic that the market will demand a 11.4% average increase in production in 1980. This is a conservative percentage expressing optimism considering that 60.7% estimated an increase in production for 1979 with only 46.2% succeeding.

With 32.7% experiencing a decrease in production in 1979, when only 5.6% had forecast a decrease, it is understandable that a higher percentage of producers are taking a dim view of 1980. Thus, 35.1% of the producers surveyed are estimating a production decrease averaging 13.6% in 1980. This is considerably greater than the 8.6% average decrease estimated for 1979 and the 9.5% average decrease reported for the year.

The 23.5% estimating no change in production volume in 1980, or the 9.6% who are undecided, are not significantly different from the previous estimates for 1979 production or what actually was experienced.

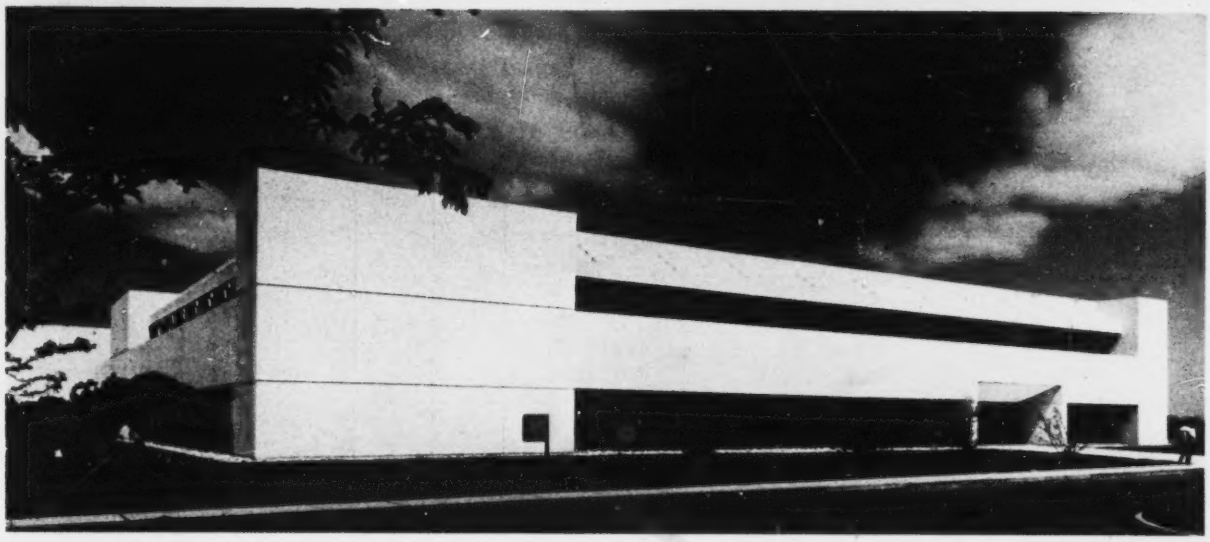
Expenditure estimates for 1980

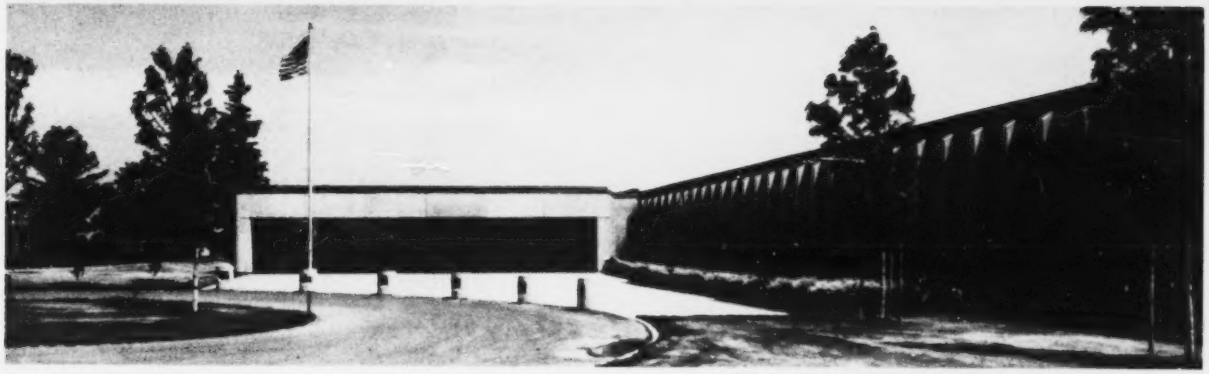
Whether the return on investment for 1979 held steady, was favorable or unfavorable, cannot be determined from the survey data. Some producers must certainly have had a favorable year financially if judged by the estimates for capital investment estimates in 1980 for new plants, new equipment, or plant expansion and/or modernization.

Estimates for expenditures in 1980 could be an indicator that: 1) 1979 was a financially successful year; 2) an optimistic outlook prevails for increased production demand for 1980 and the ensuing years; 3) high cost of maintenance of old equipment and plant machinery could be overcome by updating and/or modernization of facilities and equipment; 4) advanced technology of current models and systems for greater efficiency and cost effectiveness in production, curing and handling are needed. It also is quite possible that 1980 expenditure estimates include fulfillment of 1979 estimate plans which, for one reason or another, never got off the planning table.

The 10.5% of the producers planning for new plants in 1980 is a definite increase over the 8.7% who had such plans for 1979. However, the $1,326,600 estimated average expenditure for 1980 is almost three times the $460,300 average which was estimated for 1979.

New equipment acquisition estimates by 36.7% of the respondents is noticeably less than the 46.1% who, last year, planned for new equipment purchases in 1979. As was the case with new plant expenditures, the estimated average equipment outlay of $219,500 is substantially more than the $153,000 average amount estimated for what would be spent in 1979. ●



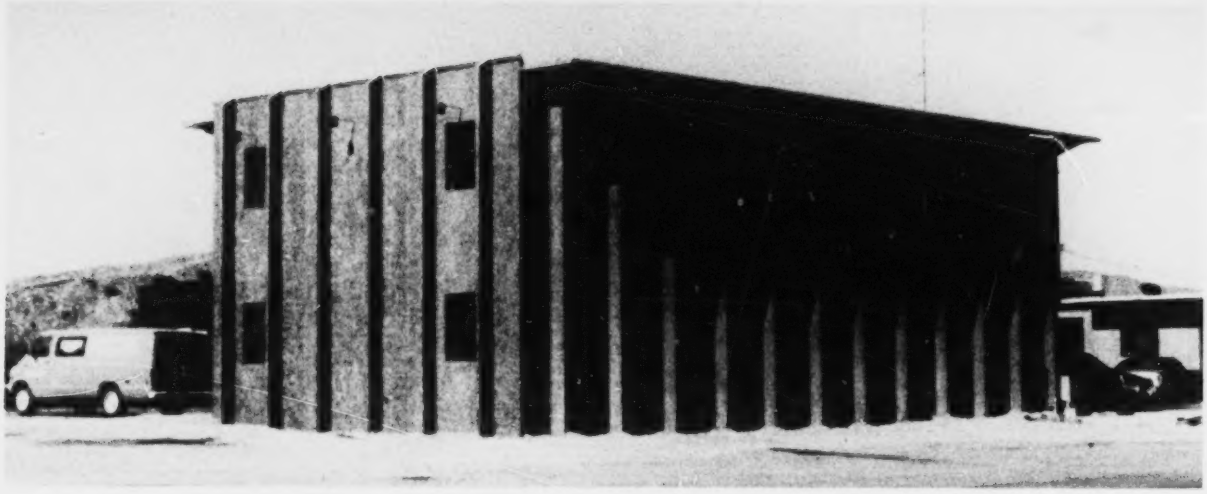


Prestressed concrete

New peak reached in 1979, may hold steady in 1980

Summary
Modern Concrete's 1979 Prestressed Concrete Survey

Review of 1979	
Industry output—	
1979 vs. 1978	+ 24%
Pricing of products	
prices raised (% of replies)	100%
% raised	+ 9½%
no change (% replies)	0
Costs	
• Wages	
increased (% replies)	100%
% increased	+ 8%
• Maintenance	
increased (% replies)	76%
% increased	+ 21%
• Raw materials	
increased (% replies)	76%
% increased	+ 17%
Outlook for 1980	
Production gain (% replies)	39%
% of gain	+ 24%
Production drop (% replies)	42%
% of drop	− 15%
No change	12%
Unsure	6%
Plans for 1980	
New plants (% replies)	15%
Replace equipment (% replies)	39%
Expansion (% replies)	45%



BY SANDY HEROD

The compilation of the data submitted in response to our latest annual survey of the prestressed concrete industry indicates that the momentum gained in 1978 carried through 1979.

When final 1979 figures are in, they probably will show that the industry not only regained ground lost in the two years following its 1974 record, but attained a new peak.

In terms of production volume (1000's of linear feet of product), 52% of our respondents to MODERN CONCRETE's 1979 survey indicated an increase. This represents almost the same number (54%) who reported gains in the preceding year. The full year data submitted were estimates since the survey was answered midway in the fourth quarter of last year.

- The nationwide average increase in production, as determined from survey replies, turned out to be higher than the 13% gain predicted for 1979 in the survey a year ago. Further, a smaller number (21%) of producers reported a drop in volume production during 1979 than had been the case for 1978.
- Considering the smothering inflation level and the steadily increasing costs of doing business, it is not surprising the industry's pricing structure also was revised upward. Although our respondents were unanimous in their replies with respect to boosts, the national average rate of increase, at 9½%, was nearly two percentage points under that of the preceding year.
- Perhaps reference should first have been made to certain major cost centers, since the strain they impose must make most producers feel like a strand in their tensioning systems.

To ascertain the trends in major costs, we queried the producers about wage scales, maintenance expense and the cost of raw materials. Again it came as no surprise when the recap of survey returns indicated appreciable increases in all three.

The increase in wages alone, averaging 8% nationally, was almost enough to completely offset the revenue represented by higher product pricing. Also, 100% of our respondents indicated that wage scales rose in 1979; about 92% so indicated last January with respect to 1978.

An even heavier burden was found in the costs of maintenance and raw materials. A 21% increase in maintenance expense was reported by 76% of our respondents—gains of both the rate of increase and of the number so reporting last year.

Compared to 1978, somewhat fewer operations (76%) experienced increased costs of raw materials, a gain that averaged out to 17%, industry-wide.

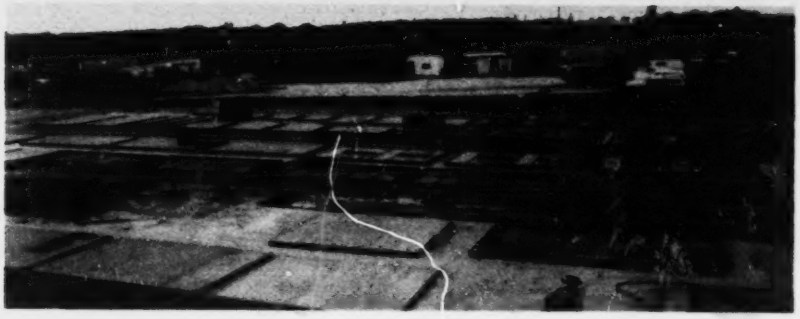
Outlook for 1980

An appreciably smaller number of respondents to our latest survey expressed unqualified optimism for 1980 than was the case a year ago. They constituted 39% of total replies, and predicted production gains that averaged out to 24%. In contrast, 70% last January estimated a gain of 16%.

A lower production level this year was predicted in 42% of our returns, with the rate of decline averaging 15%. Another 12% hold that the coming year will carry on at the same level as the past one, and 6% indicated they were unsure.

Of particular interest were the responses to questions about new plants, equipment replacement and expansion projects. Some 15% of the replies indicate plans for new plants, with the average expenditure amounting to more than $1.5 million. Another 50% indicated intent to replace some equipment and to expand operations.

Taking all factors into consideration, it appears that the industry probably will not surpass its 1979 level, but it is not expected to record any major decline in volume. ●



Precast concrete

Gains continue in 1979, minor bumps for 1980

BY SANDY HEROD

Summary
Modern Concrete's 1979 Precast Concrete Survey

Review of 1979	
Industry output—	
1979 vs. 1978	+ 12%
Pricing of products	
prices raised (% of replies)	89%
% raised	+ 11%
no change (% replies)	11%
Costs	
• Wages	
increased (% replies)	82%
% increased	+ 11%
• Maintenance	
increased (% replies)	88%
% increased	+ 22%
• Raw materials	
increased (% replies)	88%
% increased	+ 10%
Outlook for 1980	
Production gain (% replies)	41%
% of gain	+ 20%
Production drop (% replies)	12%
% of drop	− 12%
No change	28%
Unsure	16%
Plans for 1980	
New plants (% replies)	8%
Replace equipment (% replies)	49%
Expansion (% replies)	39%

Although figures for the latter part of the fourth quarter of last year were not available to them when the producers replied to our 1979 survey, the data established until that time indicate that the precast concrete industry recorded its fourth consecutive year of growth since the low of 1975.

Nationally, according to the survey returns, the industry pegged a 12% gain in production volume (1,000's of yards of concrete used). Of the total number of respondents, 55% reported increased output during the past year and 11% indicated relatively small decreases from previous levels.

Comparing 1979 and 1978 replies, an almost identical number of producers indicated an increase in prices for their products—89% vs 88%. A similar pattern showed with respect to those making no change in prices—10% vs 11%.

The national average increase, as computed from our returns, turned out to be on the order of

11%, only slightly higher than the 8% increase reported for 1978.

The favorable performance of the past few years, in terms of higher demand for products and higher unit sales, makes an attractive picture; however, the picture is marred by some less favorable elements.

• The impact of inflation on higher sales revenue aside, the most significant troublesome factors are labor, maintenance and raw materials costs—Each registered an appreciable increase during the past year. Taken together, 89% of our survey replies noted increases in these areas.

As determined from 92% of the producers who reported higher wage scales in 1979, that cost rose on a national average of 11%. The increase reported a year ago by an equal number amounted to 9%.

• Among the three major costs centers discussed here, that making the most startling jump was maintenance; at 22%, the increase was nearly twice that recorded during 1978. Also, 88% of the respondents to the 1979 survey noted this expense climb as compared to 82% a year ago.

Trucks are, far and away, the most troublesome maintenance factor for precasters. This was determined from the responses to our query about major problem areas; more than 75% cited the above.

• Paralleling the climb in maintenance was the substantial increase reported in raw material costs. The same number of respondents, 88%, indicated a climb in this expense during 1979 and 1978; however, the 1979 increase averaged out at 16% as compared to 12% in 1978.

Outlook

The percentage of our respondents who expressed outright optimism for the coming year has dropped well below the 69% who felt that way a year ago concerning 1979. However, those who departed the ranks of pure optimists do not appear to have joined the more pessimistic minority, but have fallen in with those who look for no change in the coming months or, at worst, are unsure as to which direction the economy will take.

Some 41% of the responding producers look for an increase in their businesses in 1980; a national average gain of 20% was determined from their forecasts.

The more pessimistic replies, outnumbered more than three-to-one by the optimists, represented 12% of the total survey response; the average decrease predicted for 1980 also was 12%.

"No change" from the level of last year was the forecast of 25% of the respondents, and another 16% expressed uncertainty about the coming year.

Significantly, the numbers of precasters indicating 1980 plans for new plants, equipment replacements or systems expansions, is comparable to last year. Of the total number of respondents, 8% noted plans for new installations. Equipment replacement and expansion projects were indicated on 58% of the survey replies which included a number with plans to take both steps.

Keeping in mind the degree of expressed optimism and capital investment plans, and tempering these facts with the number of producers who look for a "status quo" situation during the coming year, it appears that the 1980 level of business for precasters will be close to that of last year; any decline probably will be a matter of only a couple of percentage points. ●

Concrete pipe

Near record tonnage in 1979, level to hold in 1980

BY SANDY HEROD

A year ago the respondents to our 1978 concrete pipe survey reported a production and sales increase of 9%, based on figures complete except for the fourth quarter. According to final data for that year, they actually enjoyed a gain of 11%, 12.9 million tons of pipe, near the record 13.5 million tons of 1974.

Summary
Modern Concrete's 1979
Concrete Pipe Survey

Review of 1979	
Industry output—	
1979 vs. 1978	+11%
Pricing of products	
prices raised (% of replies)	83%
% raised	+ 9%
no change (% replies)	17%
Costs	
• Wages	
increased (% replies)	91%
% increased	+ 9%
• Maintenance	
increased (% replies)	83%
% increased	+16%
• Raw materials	
increased (% replies)	91%
% increased	+14%
Outlook for 1980	
Production gain (% replies)	26%
% of gain	+12%
Production drop (% replies)	35%
% of drop	−17%
No change	22%
Unsure	17%
Plans for 1980	
New plants (% replies)	2%
Replace equipment (% replies)	19%
Expansion (% replies)	7%

According to our latest survey, 1979 output rose 11% which would put the industry back at 1974's record level. We expect that when complete data for the fourth quarter of last year are in, production will amount to about 14 million tons.

The national average of gain in output was developed from the replies of 78% of our respondents. The remaining 22% reported lower production rates in 1979, but of generally small drops from the preceding year.

- Along with producers in other concrete industries, pipe manufacturers found it necessary to mark up their prices in the face of continuing increases in business costs. Some 83% of our respondents reported increases that averaged out to 9% industrywide. Those figures are only a shade under the comparable data for 1978.
- The higher price levels were not much of an offset to the climb in labor, maintenance and raw materials costs. Wages rose 9%, as reported in 91% of the survey replies; an identical increase to that of 1978.
- Maintenance costs soared another 16%, according to 83% of the answering producers; and 91% of them reported a 14% climb in the cost of raw materials.

Outlook

The number of pipe producers who are optimistic concerning higher sales in 1980 dropped substantially from those who held that feeling about 1979. At 26% of the total number of respondents, they represent about half as many as there were a year ago. The average of the expected increases reported was 12%.

On the other hand, 35% of our pipe survey returns indicated a probable drop in business in 1980—three times the number in this category last year. The amount of decrease expected averaged 17%. While 22% of the replies looked for no change during the coming year, the remaining 17% reflected uncertainty.

Plans for new plants were indicated by only 2% of our respondents; 19% expect to replace some equipment; and 7% report they have expansion plans in mind.

A large part of the industry's potential business is involved with federally-funded water and sewer programs. Already reduced appropriations, along with the probability of others, will have a decided impact on the pipe industry this year.

It appears that the tonnage of pipe produced will drop from last year's level, but dollar volume could be close to that experienced in 1979. ●